

CHAPTER 124
LIFE AND FRATERNAL INSURANCE VALUATION STANDARDS

H. F. 462

AN ACT relating to valuation standards and nonforfeiture provisions for policies of insurance subject to chapters five hundred eight (508) and five hundred twelve (512) of the Code.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section five hundred eight point thirty-six (508.36), subsections two (2) and three (3), Code 1979, are amended to read as follows:

2. This subsection shall apply to only those policies and contracts issued prior to the operative date of section 508.37 (the Standard Nonforfeiture Law for Life Insurance).

Except as otherwise provided in subsection 3, paragraphs "f" "g" and "h" for group annuity and pure endowment contracts, the minimum standard of valuation for all policies of domestic life insurance companies shall be the Commissioners Reserve Valuation Method defined in paragraph "b" of subsection 3 and the American Experience Table of Mortality and four and one-half percent interest or the Actuaries' (or Combined) Experience Table of Mortality and four percent interest, except that the minimum standard for the valuation of annuities and pure endowments purchased under group annuity and pure endowment contracts shall be that provided by this subsection but replacing the interest rates specified in this subsection by an interest rate of five percent per annum.

Reserves for all such policies and contracts may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by this subsection.

3. This subsection shall apply to only those policies and contracts issued on or after the operative date of section 508.37 (the Standard Nonforfeiture Law for Life Insurance), except as otherwise provided in paragraphs "f" "g" and "h" for group annuity and pure endowment contracts issued prior to such operative date.

a. Except as otherwise provided in paragraphs "f" "g" and "h", the minimum standard for the valuation of all such policies and contracts shall be the Commissioners Reserve Valuation ~~Method~~ Methods defined in ~~paragraph "b"~~ paragraphs "b", "c" and "f" of this subsection 3, five percent interest for group annuity and pure endowment contracts and three and one-half percent interest for all other such policies and contracts, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after July 1, 1974, ~~and prior to January 1, 1986,~~ four percent interest for such policies issued prior to January 1, 1980, and four and one-half percent interest for such policies issued on or after January 1, 1980, and the following tables:

(1) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies,--the Commissioners 1958 Standard Ordinary Mortality Table, provided that for any category of such policies issued on female risks all modified net premiums and present values referred to in this subsection 3 may be calculated according to an age not more than ~~three~~ six years younger than the actual age of the insured.

(2) For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies,--the 1941 Standard Industrial Mortality Table; provided, however, that the Commissioners 1961 Standard Industrial Mortality Table shall be the table for the minimum standard when said table becomes applicable under the Standard Nonforfeiture Law in accordance with section 508.37, subsection 5.

(3) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies,--the 1937 Standard Annuity Mortality Table or, at the option of the company, the Annuity Mortality Table for 1949, Ultimate, or any modification of either of these tables approved by the commissioner.

(4) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies,--the Group Annuity Mortality Table for 1951, any modification of such table approved by the commissioner, or, at the option of the company, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

(5) For total and permanent disability benefits in or supplementary to ordinary policies or contracts,--the tables of "Period 2" disablement rates and the 1930 to 1950 termination rates of the 1952 Disability Study of the Society of Actuaries, with due regard to the type of benefit. Such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(6) For accidental death benefits in or supplementary to policies,--the 1959 Accidental Death Benefits Table combined with a mortality table permitted for calculating the reserves for life insurance policies.

(7) For group life insurance, life insurance issued on the substandard basis and other special benefits,--such tables as may be approved by the commissioner.

b. Reserves Except as otherwise provided in paragraphs "c" and "f" of this subsection, reserves according to the Commissioners Reserve Valuation Method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of (x) over (y), as follows:

(x) A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due; provided, however, that such net level annual premium shall not exceed the net level annual premium on the nineteen-year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of such policy.

(y) A net one-year term premium for such benefits provided for in the first policy year.

Reserves according to the Commissioners Reserve Valuation Method for (1) life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums, (2) group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section four hundred eight (408) of the United States Internal Revenue Code of 1954, as now or hereafter amended, (3) disability and accidental death benefits in all policies and contracts, and (4) all other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts, shall be calculated by a method consistent with the principles of this paragraph "b", except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

c. This section shall apply to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section four hundred eight (408) of the United States Internal Revenue Code of 1954, as now or hereafter amended.

Reserves according to the commissioner's annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of such contract, that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate, or rates, specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values.

d. In no event shall a company's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, be less than the aggregate reserves calculated in accordance with the method methods set forth in paragraph "b" above paragraphs "b", "c" and "f" of this subsection and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

e. Reserves for any category of policies, contracts or benefits as established by the commissioner, may be calculated at the option of the company according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided. ~~Provided, however, that reserves for participating life insurance policies may, with the consent of the commissioner, be calculated according to a rate of interest lower than the rate of interest used in calculating the nonforfeiture benefits in such policies, with the further proviso that if such lower rate differs from the rate used in the calculation of the nonforfeiture benefits by more than one-half percent the company issuing such policies shall file with the commissioner a plan providing for such equitable increase, if any, in the cash surrender values and nonforfeiture benefits in such policies as the commissioner shall approve.~~

f. If in any contract year the gross premium charged by any life insurance company on any policy or contract is less than the valuation net premium for the policy or contract according to the mortality table, rate of interest and method used in calculating the reserve thereon, according to the minimum standard prescribed in this section, ~~there shall be maintained on such policy or contract a deficiency reserve in addition to all other reserves required by law.~~ For each such policy or contract the deficiency reserve shall be the present value, according to such standard, of an annuity of the difference between such net premium and the premium charged for such policy or contract, running for the remainder of the premium paying period the minimum reserve required for such policy or contract shall be the greater of either the reserve calculated according to the mortality table, rate of interest and method actually used for such policy or contract, or the reserve calculated according to the mortality table, rate of interest and method used in calculating the reserve thereon according to the minimum standard prescribed by this section but replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium.

g. The minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this paragraph, and for all annuities and pure endowments purchased on or after such operative date under group annuity and pure endowment contracts, shall be the Commissioners Reserve Valuation Method Methods defined in paragraph "b" paragraphs "b" and "c" of this subsection and the following tables and interest rates:

(1) For individual annuity and pure endowment contracts issued prior to ~~January 1, 1986~~ January 1, 1980, excluding any disability and accidental death benefits in such contracts, ~~the 1971 Individual Annuity Mortality Table,~~ or any modification of this table approved by the commissioner, and

six percent interest for single premium immediate annuity contracts, and four percent interest for all other individual annuity and pure endowment contracts.

(2) For ~~individual--annuity--and--pure-endowment--contracts--issued--on--or--after--January--1--1986--excluding--any--disability--and--accidental--death--benefits--in--such--contracts--the--1971--Individual--Annuity--Mortality--Table--or--any--modification--of--this--table--approved--by--the--commissioner--and--three--and--one--half--percent--interest~~ individual single premium immediate annuity contracts issued on or after January 1, 1980, excluding any disability and accidental death benefits in such contracts, ~~the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the commissioner, and seven and one-half percent interest.~~

(3) For ~~all--annuities--and--pure--endowments--purchased--prior--to--January--1--1986--under--group--annuity--and--pure--endowment--contracts--excluding--any--disability--and--accidental--death--benefits--purchased--under--such--contracts--the--1971--Group--Annuity--Mortality--Table--or--any--modification--of--this--table--approved--by--the--commissioner--and--six--percent--interest~~ individual annuity and pure endowment contracts issued on or after January 1, 1980 other than single premium immediate annuity contracts, excluding any disability and accidental death benefits in such contracts, ~~the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the commissioner, and five and one-half percent interest for single premium deferred annuity and pure endowment contracts and four and one-half percent interest for all other such individual annuity and pure endowment contracts.~~

(4) For all annuities and pure endowments purchased ~~on--or--after--January--1--1986~~ prior to January 1, 1980, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits in purchased under such contracts, ~~the 1971 Group Annuity Mortality Table, or any modification of this table approved by the commissioner, and three--and--one--half~~ six percent interest.

(5) For all annuities and pure endowments purchased on or after January 1, 1980 under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, ~~the 1971 Group Annuity Mortality Table, or any modification of this table approved by the commissioner and seven and one-half percent interest.~~

§ h. After July 1, 1974, any company may file with the commissioner a written notice of its election to comply with the provisions of paragraph "f" "g" after a specified date before January 1, 1979, which shall be the operative date of paragraph "f" "g" for such company; provided, a company may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If a company makes no such election, the operative date of paragraph "f" "g" for such company shall be January 1, 1979.

Sec. 2. Section five hundred eight point thirty-seven (508.37), unnumbered paragraph one (1) and subsection five (5), unnumbered paragraph four (4), Code 1979, are amended to read as follows:

This section shall be known as the "Standard Nonforfeiture Law for Life Insurance."

All adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table, provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than ~~three~~ six years younger than the actual age of the insured. Such calculations for all policies of industrial insurance shall be made on the basis of the 1941 Standard Industrial Mortality Table; provided, however, that any company may file with the commissioner a written notice of its election that such adjusted premiums and present values shall be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table, after a specified date before January 1, 1968; provided, further, that, whether or not any election has been made, such Commissioners 1961 Standard Industrial Mortality Table shall be the basis for such calculations as to all policies of industrial insurance issued on or after January 1, 1968. All calculations shall be made on the basis of the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits; provided, that such rate of interest shall not exceed three and one-half percent per annum, except that a rate of interest not exceeding four percent per annum may be used for policies issued on or after July 1, 1974, and prior to ~~January 1, 1986~~ January 1, 1980, and a rate of interest not exceeding five and one-half percent per annum may be used for policies issued on or after January 1, 1980. Provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed in the case of policies of ordinary insurance, may be not more than those shown in the Commissioners 1958 Extended Term Insurance Table, and, in the case of policies of industrial insurance, may be not more than one hundred thirty percent of the rates of mortality according to the 1941 Standard Industrial Mortality Table, except that when the Commissioners 1961 Standard Industrial Mortality Table becomes applicable, as hereinbefore provided, such rates of mortality assumed may be not more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table, provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the company and approved by the commissioner.

Sec. 3. Chapter five hundred eight (508), Code 1979, is amended by adding the following new section as section five hundred eight point thirty-eight (508.38) of that chapter:

NEW SECTION. 508.38 STANDARD NONFORFEITURES. This section shall be known as the "Standard Nonforfeiture Law for Individual Deferred Annuities."

1. This section does not apply to any reinsurance, group annuity purchased under a retirement plan or plan of deferred compensation established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section four hundred eight (408) of the United States Internal Revenue Code of 1954, as now or hereafter amended, premium deposit fund, variable

annuity, investment annuity, immediate annuity, any deferred annuity contract after annuity payments have commenced, or reversionary annuity, nor to any contract which is delivered outside this state through an agent or other representative of the company issuing the contract.

2. In the case of contracts issued on or after the operative date of this section as defined in subsection eleven (11) of this section, no contract of annuity, except as stated in subsection one (1) of this section, shall be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the contract holder, upon cessation of payment of considerations under the contract:

a. That upon cessation of payment of considerations under a contract, the company will grant a paid-up annuity benefit on a plan stipulated in the contract of such value as is specified in subsections four (4), five (5), six (6), seven (7), and nine (9) of this section.

b. If a contract provides for a lump sum settlement at maturity, or at any other time, that upon surrender of the contract at or prior to the commencement of any annuity payments, the company will pay in lieu of any paid-up annuity benefit a cash surrender benefit of such amount as is specified in subsections four (4), five (5), seven (7), and nine (9) of this section. The company shall reserve the right to defer the payment of such cash surrender benefit for a period of six months after demand therefor with surrender of the contract.

c. A statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of such benefits.

d. A statement that any paid-up annuity, cash surrender or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which such benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract or any prior withdrawals from or partial surrenders of the contract.

Notwithstanding the requirements of this subsection two (2), any deferred annuity contract may provide that if no considerations have been received under a contract for a period of two full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from considerations paid prior to such period would be less than twenty dollars monthly, the company may at its option terminate such contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by such payment shall be relieved of any further obligation under such contract.

3. The minimum values as specified in subsections four (4), five (5), six (6), seven (7), and nine (9) of this section of any paid-up annuity, cash surrender or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as defined in this section.

a. With respect to contracts providing for flexible considerations, the minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to such time at a rate of interest of three percent per annum of percentages of the net considerations (as hereinafter defined) paid prior to such time, decreased by the sum of (i) any prior withdrawals from or partial surrenders of the contract accumulated at a rate of interest of three percent per annum and (ii) the amount of any indebtedness to the company on the contract, including interest due and accrued; and increased by any existing additional amounts credited by the company to the contract.

The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount not less than zero and shall be equal to the corresponding gross considerations credited to the contract during that contract year less an annual contract charge of thirty dollars and less a collection charge of one dollar and twenty-five cents per consideration credited to the contract during that contract year. The percentages of net considerations shall be sixty-five percent of the net consideration for the first contract year and eighty-seven and one-half percent of the net considerations for the second and later contract years. Notwithstanding the provisions of the preceding sentence, the percentage shall be sixty-five percent of the portion of the total net consideration for any renewal contract year which exceeds by not more than two times the sum of those portions of the net considerations in all prior contract years for which the percentage was sixty-five percent.

b. With respect to contracts providing for fixed scheduled considerations, minimum nonforfeiture amounts shall be calculated on the assumption that considerations are paid annually in advance and shall be defined as for contracts with flexible considerations which are paid annually with two exceptions:

- (1) The portion of the net consideration for the first contract year to be accumulated shall be the sum of sixty-five percent of the net consideration for the first contract year plus twenty-two and one-half percent of the excess of the net consideration for the first contract year over the lesser of the net considerations for the second and third contract years; and
- (2) The annual contract charge shall be the lesser of (i) thirty dollars or (ii) ten percent of the gross annual consideration.

c. With respect to contracts providing for a single consideration, minimum nonforfeiture amounts shall be defined as for contracts with flexible considerations except that the percentage of net consideration used to determine the minimum nonforfeiture amount shall be equal to ninety percent and the net consideration shall be the gross consideration less a contract charge of seventy-five dollars.

4. Any paid-up annuity benefit available under a contract shall be such that its present value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that date. Such present value shall be computed using the mortality table, if any, and the interest rate specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract.

5. For contracts which provide cash surrender benefits, such cash surrender benefits available prior to maturity shall not be less than the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit which would be provided under the contract at maturity arising from considerations paid prior to the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract, such present value being calculated on the basis of an interest rate not more than one percent higher than the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, decreased by the amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract. In no event shall any cash surrender benefit be less than the minimum nonforfeiture amount at that time. The death benefit under such contracts shall be at least equal to the cash surrender benefit.

6. For contracts which do not provide cash surrender benefits, the present value of any paid-up annuity benefit available as a nonforfeiture option at any time prior to maturity shall not be less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid prior to the time the contract is surrendered in exchange for or changed to, a deferred paid-up annuity, such present value being calculated for the period prior to the maturity date on the basis of the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, and increased by any existing additional amounts credited by the company to the contract. For contracts which do not provide any death benefits prior to the commencement of any annuity payments, such present values shall be calculated on the basis of such interest rate and the mortality table specified in the contract for determining the maturity value of the paid-up annuity benefit. However, in no event shall the present value of a paid-up annuity benefit be less than the minimum nonforfeiture amount at that time.

7. For the purpose of determining the benefits calculated under subsections five (5) and six (6) of this section, in the case of annuity contracts under which an election may be made to have annuity payments commence at optional maturity dates, the maturity date shall be deemed to be the latest date for which election shall be permitted by the contract, but shall not be deemed to be later than the anniversary of the contract next following the annuitant's seventieth birthday or the tenth anniversary of the contract, whichever is later.

8. Any contract which does not provide cash surrender benefits or does not provide death benefits at least equal to the minimum nonforfeiture amount prior to the commencement of any annuity payments shall include a statement in a prominent place in the contract that such benefits are not provided.

9. Any paid-up annuity, cash surrender or death benefits available at any time, other than on the contract anniversary under any contract with fixed scheduled considerations, shall be calculated with allowance for the lapse of time and the payment of any scheduled considerations beyond the beginning of the contract year in which cessation of payment of considerations under the contract occurs.

10. For any contract which provides, within the same contract by rider or supplemental contract provision, both annuity benefits and life insurance benefits that are in excess of the greater of cash surrender benefits or a return of the gross considerations with interest, the minimum nonforfeiture benefits shall be equal to the sum of the minimum nonforfeiture benefits for the annuity portion and the minimum nonforfeiture benefits, if any, for the life insurance portion computed as if each portion were a separate contract. Notwithstanding the provisions of subsections four (4), five (5), six (6), seven (7), and nine (9) of this section, additional benefits payable (a) in the event of total and permanent disability; (b) as reversionary annuity or deferred reversionary annuity benefits, or (c) as other policy benefits additional to life insurance, endowment, and annuity benefits, and considerations for all such additional benefits, shall be disregarded in ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits that may be required by this section. The inclusion of such additional benefits shall not be required in any paid-up benefits, unless such additional benefits separately would require minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits.

11. After January 1, 1980, any company may file with the commissioner a written notice of its election to comply with the provisions of this section after a specified date but before January 1, 1981. After the filing of such notice, then upon such specified date, which shall be the operative date of this section for such company, this section shall become operative with respect to annuity contracts thereafter issued by such company. The operative date of this section shall be January 1, 1981 for all companies which do not so elect an operative date which is earlier than January 1, 1981.

Sec. 4. Section five hundred twelve point forty-three (512.43), unnumbered paragraph one (1), Code 1979, is amended to read as follows:

No fraternal beneficiary society not admitted to transact business in this state prior to July 4, 1907, shall be incorporated, or given a permit or certificate of authority to transact business within this state, unless it shall first show that the mortuary assessment rates provided for in whatever plan of business it has adopted, including the issuance of term, whole life, or limited payment certificates with withdrawal options, are not lower than is indicated as necessary by the following mortality table, or any more recent table which is applicable to life insurance companies:

Sec. 5. Section five hundred twelve point forty-five (512.45), Code 1979, is amended to read as follows:

512.45 VALUATION OF CERTIFICATES. ~~The certificate written by any domestic fraternal beneficiary association operating under the provisions of the foregoing mortality table shall be valued in the same manner as provided in section 509-36, except that such valuation shall be based upon the foregoing mortality table and four percent interest.~~

~~If the society makes loans on its certificates, the valuation shall be based upon a mortality table not lower than the American table of mortality and four and one-half percent interest.~~ The minimum standards of valuation for certificates issued prior to January 1, 1980, shall be those provided by

the law in effect prior to January 1, 1980, but not lower than the standards used in the calculation of rates for the certificates. The minimum standards of valuation for certificates issued on or after January 1, 1980, shall be those provided for life insurance companies.

Sec. 6. Sections five hundred twelve point fifty-seven (512.57) and five hundred twelve point fifty-eight (512.58), Code 1979, are repealed.

Sec. 7. This Act takes effect January 1, 1980.

Approved April 2, 1979

CHAPTER 125
LIFE INSURANCE INVESTMENTS

H. F. 460

AN ACT to authorize life insurance companies and associations under chapter five hundred eleven (511) of the Code to invest in fixed interest-bearing obligations of certain financial companies and obligations of foreign governments, subject to certain limitations.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section five hundred eleven point eight (511.8), subsection five (5), paragraph a, Code 1979, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. However, with respect to fixed interest-bearing obligations which are issued, assumed or guaranteed by a financial company, the net earnings by the financial company available for its fixed charges for the period of five fiscal years preceding the date of acquisition of the obligations by the insurance company shall have averaged per year not less than one and one-fourth times such average annual fixed charges of the issuing, assuming or guaranteeing financial company applicable to such period, and, during at least one of the last two years of the period, its net earnings shall have been not less than one and one-fourth times its fixed charges for such year; or if, at the date of acquisition, the obligations are adequately secured and speculative elements are not predominant in their investment qualities and characteristics. As used in this paragraph, "financial company" means a corporation which on the average over its last five fiscal years preceding the date of acquisition of its obligations by the insurer, has had at least fifty percent of its net income, including income derived from subsidiaries, derived from the business of wholesale, retail, installment, mortgage, commercial, industrial or consumer financing, or from banking or factoring, or from similar or related lines of business.

Sec. 2. Section five hundred eleven point eight (511.8), Code 1979, is amended by adding the following new subsection: